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CENTRAL INTELLIGENCE AGENCY

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State Dept., ONI, JCS reviews completed

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SECTION 1 (SOVIET)

1. USSR. Soviet Union proposes German peace treaty: In a note to the three Western powers the Soviet Union has proposed a four-power discussion on a German peace treaty with the direct participation of an all-German government.

As a basis for discussion the Soviet Union submitted a draft treaty which included provisions for the withdrawal of troops, a guarantee that Germany would not enter into any military alliances, territorial boundaries according to the Potsdam decisions, no limitations on the development of German trade or economy, and permission for Germany to have its own army. [redacted]

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Comment: The Soviet proposal climaxes Soviet and East German propaganda that a peace treaty would mean German sovereignty, withdrawal of troops and German unity, and is the strongest maneuver to date to prevent West German integration into the European community.

The USSR, however, has not given any indication that it would allow supervised all-German elections which would be necessary for the participation of an all-German government in treaty talks, and by including this condition the USSR has presented attractive offers without fear of having to fulfill them.

The Soviet offers will appeal to a large element of the German population, and the opposition Social Democrats will probably have an intra-party struggle over the proposal which could end by their approving the first steps in the Soviet program -- an immediate Big Four conference to consider a peace treaty. However, the Bonn Government and the Bundestag will regard the proposal skeptically.

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2. BULGARIA. Premier Chervenkov appears in Sofia: According to a Bulgarian radio report, Premier Vulko Chervenkov was among those who attended ceremonies marking the 25th anniversary of the newspaper Rabotnichesko Delo in Sofia on 5 March. [redacted]

Comment: Yugopress, a semi-official Yugoslavian news agency, reported on 8 March that Chervenkov had not been seen since he left for Moscow on 20 February to discuss "forthcoming Bulgarian monetary reforms" with Soviet financial experts. This report has been widely echoed in the American press. Although there is no evidence to indicate that Chervenkov actually left Bulgaria during February, it is perhaps noteworthy that the Bulgarian Premier did not appear at festivities held in Sofia on 22 February in celebration of the 34th anniversary of the Soviet Army.

3. Two notes of protest directed to United Nations: The Bulgarian Ministry of Foreign Affairs has protested to the United Nations against a 12 January resolution providing for further study of UN anti-aggression machinery. The Bulgarian note charges that the resolution, which is "aimed at weakening the principal organ of the United Nations, the Security Council," constitutes "an outright attack against the principle of unanimity in the Security Council and endangers the very existence of the United Nations."

A second note protests the dissolution of the special UN Commission for the Balkans, and its replacement by a Balkan sub-group of the Peace Observation Commission. Since this new commission will allegedly cause still greater tension in relations among the Balkan countries, the Bulgarian Government "will neither recognize it nor afford it any assistance." [redacted]

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Comment: Western-sponsored measures for strengthening the capabilities of the United Nations as an organ of collective security have already received sharp attacks from the USSR and the Satellite members of the United Nations. Similar protests from other non-member Satellite states might be expected to follow these Bulgarian notes.

4. HUNGARY. Stalin fails to congratulate Rakosi: The most interesting development of Matyas Rakosi's recent birthday celebration was the absence of a congratulatory telegram

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from Stalin, according to the US Legation in Budapest. Rakosi, who is Secretary-General of the Hungarian Workers' Party (Communist), did receive greetings from the Central Committee of the Communist Party of the Soviet Union as well as the Communist leaders of China, North Korea, the European Satellites, India, Austria, the German Democratic Republic and Great Britain.

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Comment: Extravagant eulogies by Prime Minister Dobi and Minister of State Gero emphasized Rakosi's ties to Stalin and the USSR. In his own speech, Rakosi attributed Hungarian Communist successes to the ability to adapt the doctrines of Lenin and Stalin to Hungarian conditions.

It should be noted that Gheorghe Gheorghiu-Dej, Secretary-General of the Rumanian Communist Party, also failed to receive a greeting from Stalin on the occasion of his 50th birthday last November.

5. YUGOSLAVIA/ TRIESTE. Tito refers to Yugoslavia's strong ties with the West: During a conference with pro-Yugoslav Trieste leaders in Brioni last month, Tito reportedly stated that Yugoslav friendship with the West is so strong that his army could almost be considered as one of the allied armies.

In response to criticism of past Yugoslav errors on the Trieste question and requests for increased assistance from the Trieste group, Tito promised that past mistakes would be corrected and that he would lend his moral support to the Trieste group's request for increased financial assistance from the Slovene Government.

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Comment: Tito's remarks concerning the closeness of his relations with the West may have been designed to reassure his Trieste supporters that their cause would not be compromised.

During the past year the pro-Yugoslav party in Zone A has been forced to curtail its activities because of insufficient support from Yugoslav leaders who reportedly doubt the effectiveness of larger expenditures for political activity in Zone A.

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SECTION 2 (EASTERN)

1. CHINA. Photographs show no air activity at mainland port or on islands near Indochina: Aerial photographs taken on [redacted] 25X1
[redacted] show the following:

(a) at Peihai, a mainland port near the Indochina border, the airfield appeared usable but there was no indication of activity;

(b) on Weichou Island, near Indochina, the airfield was definitely unserviceable;

(c) on Hainan Island, the Folo and Sanya airfields, while serviceable, were abandoned and overgrown. The Peili airfield was definitely unserviceable. In the harbors of Paso and Yulin no military activity or installations were observed.

Comment: During the past two years, numerous reports have described the reconstruction of airfields and other military activities at these places.

3. THAILAND. Premier admits intention to resign: Premier Phibun confirmed to the American Ambassador in Bangkok recent reports that he wished to resign and become Speaker in Parliament. He mentioned the date of 15 March, when the present elections are expected to end. [redacted]

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7. LIBYA. Libyan King wants American military installations in Cyrenaica: King Idris of Libya has made it unmistakably clear that he would welcome the establishment of American military installations in his home province of Cyrenaica. The Governor of Cyrenaica was even more outspoken in his approval, citing as reasons the economic benefits resulting from the presence of US troops.

The American Minister points out that rivalry between Cyrenaica and the more populous and prosperous province of Tripolitania -- which has the important US airbase, Wheelus Field -- strongly colors the viewpoint of Cyrenaican authorities. He observes that strategically important Cyrenaica is nevertheless almost unique in actively encouraging the establishment of American bases and that this friendliness ought not to be neglected in over-all military planning for the Middle East.

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SECTION 3 (WESTERN)

1. GENERAL. Major European maritime powers reluctant to end chartering of ships to Orbit: In reply to American inquiries in COCOM as to whether the other governments intended to stop the long-term chartering of List I vessels, particularly tankers, to the Orbit, Britain, Denmark, and Norway have taken the position that the US inquiry was improper since previous discussions had been held on the subject and they had nothing further to say. Belgium, Germany, the Netherlands, and France indicated they had no List I vessels under charter and would not permit the chartering of such vessels to the Soviet bloc. The Italian delegate said his government had cancelled two tanker charters and was negotiating with Italian ship owners to limit ship charters to the USSR. The Canadian delegate stated that his country had no vessels under charter to the Soviet bloc.

The Dutch delegate countered the American inquiry by asking for information on any lend-lease tankers still held by the Soviet Union and on any American oil company tankers chartered under either the United States or foreign flags to the USSR.

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Comment: The attitude adopted by the major shipping countries indicates that the Orbit will still be able to charter tankers from western European countries. US efforts to restrict the amount of tonnage available to the Orbit are further impeded by the fact that several European countries, notably Denmark and Sweden, either have constructed or are constructing a number of tankers for the USSR under previous trade agreements.

2. GERMANY. Adenauer's policies may be threatened by new Senate lineup: One of the most important consequences of the 9 March Southwest State election will be its effect on the Federal Senate's composition. Of the 38 votes in the Senate, the Social Democrats now control 15, while on a controversial issue like rearmament, Chancellor Adenauer's coalition can count on only 13. The remaining 10 votes are divided equally between the Southwest State delegation, which is yet to be formed, and the Bavarian delegation, which consists of Social Democrats and Adenauer's Christian Socialists, parties which oppose each other on the Federal level.

Should the Social Democrats enter the new Southwest State cabinet its delegation to the Federal Senate might be forced

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to follow the Bavarian practice of not voting on highly controversial issues. This would mean defeat for Adenauer's program by a two-vote margin.

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Comment: The Southwest State is actually most likely to choose a Christian Democratic and Free Democratic coalition cabinet. Social Democratic participation is not impossible, however, because of internal dissension in Christian Democratic ranks; but inclusion of the Socialists would still not give them a commanding position.

The Bavarian delegation has abstained from voting on controversial issues, secure in the knowledge that Adenauer did not need its support. However, Bavaria has a Christian Democratic majority in its cabinet, as will, probably, the Southwest State. Either of the states could compel its Senators to support Adenauer's policies if it were imperative.

On issues where states' rights are at stake, the Senate usually disregards partisan considerations.

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4. FRANCE. Tool shortage greater threat than Communists to French armament production: A serious threat to French defense production, with extremely important political and morale aspects, can be averted by emergency diversion to France of a small number of critical machine tools now reserved for

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American use, according to the US technical survey team in Paris.

At the same time, the US military advisory group in Paris warns that the arms procurement program in France would be dealt a probably fatal blow by any sweeping decision not to place armament orders in plants having workers affiliated with the Communist-led General Labor Confederation. The group points out that the French Government is certifying to the security of the firms concerned, and that even in the metal-working industry where most workers favor CGT representation, only about ten percent of those employed actually pay dues to that union. [redacted]

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Comment: Some machines critically needed now are not scheduled to be delivered until next year, and delivery on others is well behind schedule.

Although there have been rumors of occasional sabotage in the past year, Communist attempts to incite French labor against defense shipments and production have all failed.

5. BELGIUM-CZECHOSLOVAKIA. Belgian tactics on Czech request for landing rights undecided. The Belgian Foreign Office is divided on what action to take on Czech attempts to obtain approval of its proposed Prague-Paris air route. Some officials hold that the reply to the Czech note should be coordinated with the Dutch reply, while others believe that Belgium should delay its answer until after the Dutch have replied. This latter group feels that the Netherlands may grant the Czechs at least transit rights within a month or two, although the Dutch have not clearly indicated this position to the Belgian Foreign Office.

While Czechoslovakia has not pressed for a reply to its note, the Belgian airline, Sabena, is having difficulties in dealing with the Czech Government. No reply has been made to the Belgian request to increase the number of Sabena's flights per week to Prague. [redacted]

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Comment: Although Belgium has indicated that it sees no basis for refusing the Czech request, the government is conscientiously employing delaying tactics as long as possible. Denmark has already approved the Czech request, and the timing of the Belgian agreement will depend on the nature of the Dutch reply and the extent of Czech pressure on Sabena's operations.

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6. NETHERLANDS. Dutch Army still fears war in September: The Dutch Army has not been receptive to a SHAPE team's comments that it has enough equipment to field two divisions and a corps for the September maneuvers. The Dutch are still "obsessed with the idea" of being completely equipped because they feel that the troops in the maneuvers may be called upon to fight.

For many months now, the Military Assistance Advisory Group in the Netherlands has been unable to convince the Dutch Army that its training program and maneuver commitments based on available assets are adequate when compared to the practice of nations with more military experience. The US Embassy at The Hague believes that forceful presentation by SACEUR will be necessary to get the Dutch to accept SHAPE's conclusions.

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Comment: Dutch military authorities have already indicated that they will not be responsible for meeting their troop commitments if adequate American equipment is not forthcoming. In his speech before Parliament on the 1952 defense budget at the end of February, the Netherlands Defense Minister stated that if the training schedule is upset because of the late arrival of equipment, the recruits will be sent home temporarily rather than kept "inadequately trained."

The belief that September 1952 is "the moment of greatest danger" has been current among high military circles in the Netherlands since last fall.

7. CARIBBEAN AREA. Foreign submarine activity in the Caribbean: The Commander in Chief of the Atlantic Fleet has been informed by the Commander of the Second Fleet that no US vessels were in the vicinity of the Dominican waters where submarines, allegedly Soviet, were reportedly seen recently

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The presence of non-US submarines has created a certain amount of unrest in the countries bordering the Caribbean. Traffic in these waters is extremely important today for the flow of strategic materials into the US, such as manganese from Cuba, iron ore from Venezuela, bauxite from the Guianas, and refined petroleum from the islands of Aruba and Curacao.

The refinery installations on Aruba were shelled by Nazi submarines in February 1942. With the largest refinery in the world after Abadan, Aruba, because of its increased capacity, is of far greater importance today.

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SECTION 3 (WESTERN)

1. DENMARK. Cabinet member sees time not ripe for NATO bases in Denmark: The Danish Finance Minister, in expressing regret over his government's present refusal to authorize NATO airbases and troops in Denmark, has told the American Ambassador that the Norwegian Government's repeated public rejection of "foreign troops in peacetime" might adversely affect a favorable decision by Denmark in the near future. He feels, however, that with some time for preparation the Danish public will eventually accept these NATO plans.

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Comment: Government leaders apparently recognize the need for NATO bases in Denmark [redacted] but consider that public opinion needs to be "educated." Favorable action by Norway would undoubtedly influence Denmark. The Danes probably envisage at the most a small number of foreign technicians helping NATO facilities in Denmark and some NATO air units occasionally using bases in Denmark for temporary training purposes.

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